

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

EXECUTIVE SUMMARY

MARCH 31, 2013

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

- Concerns over the U.S. sequestration and talk of a potential transition to a period of less Federal Reserve easing failed to halt U.S. equities, with the S&P 500 index rising 10.6% in the first quarter of 2013.
- Italian elections and the Cyprus “bail-in” led to a decline in sentiment for the euro and to higher spreads for Spanish sovereign debt, given the banking problems in Spain. The euro fell 2.6% against the dollar in the first quarter.
- The Bank of Japan (BoJ) increased its inflation target to 2% and expectations that new BoJ governor Haruhiko Kuroda would move to ease further were surpassed. These moves helped boost Japanese equities 11.7% in the first quarter, while the yen fell 7.9% against the dollar.
- With the uncertainty in Europe potentially spreading abroad, emerging market equities lagged returns in the developed markets. The MSCI EM Total Return Index declined 1.6% during the first quarter.
- Given improved investor confidence, safe-haven demand was subdued; Treasuries declined by about 0.2% in Q1. Meanwhile, in the currency markets, European political uncertainty and Bank of Japan easing led to a quarterly increase in the trade-weighted U.S. dollar index of 4.3%.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. As a result of declining confidence in the North American and European regions, the Global ICI fell 3.4 points to 88.0 in March, remaining well below the neutral level of 100. The decrease in confidence was most pronounced in North America, where institutional investors’ appetite for equities fell 4.2 points to 95.5.
- For the period ending 3/31/13, the one quarter return for the NAREIT index was 8.19%, the one year return was 15.29%, and the three year return was 17.17%. For the NCREIF Property index (one quarter lag), the one quarter return was 2.54%; the one year return was 10.54%, and the three year return was 12.63%.
- Central banks have continued easy monetary policies and inflation remains low in developed economies. Investors are accepting of these conditions and policy makers appear to be determined to avoid systematic and/or catastrophic risk at all costs.
- Cap rates continue to be low for Tier I assets in gateway cities. Capital continues to flow into the market in search of yield; the CMBS market continues to recover, with issuance growing 45% from \$33 billion in 2011 to \$48 billion in 2012.

Market Indices Review

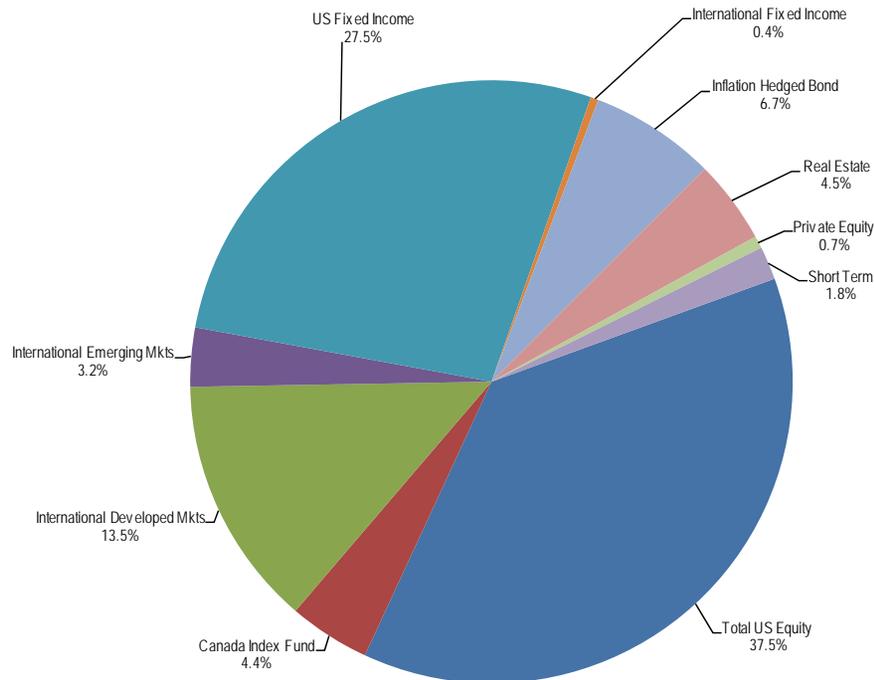
Periods Ending March 31, 2013

INDEX	STYLE	1 QTR	1 YEAR	3 YEAR	5 YEAR	7 YEAR	10 YEAR
NORTH AMERICAN EQUITY INDICES							
S&P 1500	Large Cap Broad	10.88	14.36	12.97	6.26	5.19	8.99
S&P 500	Large Cap Core	10.61	13.96	12.67	5.81	5.01	8.53
S&P MidCap 400	Mid Cap Broad	13.45	17.83	15.12	9.85	7.07	12.44
S&P Small Cap 600	Small Cap Broad	11.81	16.14	15.18	9.19	5.57	12.36
Russell 3000 Growth	Large Cap Growth	9.82	10.42	13.19	7.44	5.99	8.84
Russell 3000 Value	Large Cap Value	12.26	18.71	12.70	5.05	4.15	9.33
NASDAQ Composite	Large Cap Core	8.31	5.78	10.90	7.72	5.29	9.80
DJIA	Large Cap Core	11.93	13.37	13.33	6.50	6.79	8.94
S&P/T SX 60	Canadian Large Cap Broad	1.15	4.99	4.04	3.05	4.81	10.76
INTERNATIONAL INDICES							
MSCI EAFE NET	International Equity	5.13	11.26	5.00	-0.89	1.61	9.69
MSCI AC World -ex US	International Equity	3.27	8.87	4.87	0.07	3.10	11.41
MSCI Emerging Markets	Emerging Markets	-1.57	2.31	3.59	1.40	6.73	17.41
Citigroup World Govt	Global Fixed	-2.77	-0.67	3.86	2.77	5.82	5.42
Citigroup World Govt ex US	International Fixed	-3.83	-2.16	3.33	2.28	5.79	5.58
US FIXED INCOME INDICES							
3-Month Treasury Bills	Cash	0.02	0.08	0.09	0.31	1.51	1.66
Barclays Aggregate	Core Fixed	-0.12	3.77	5.52	5.47	5.94	5.02
Barclays Govt/Credit	Core Fixed	-0.16	4.56	6.10	5.50	6.03	5.06
Barclays Mortgage	Mortgages	-0.05	1.97	4.17	5.15	5.78	4.98
NAR Equity REIT	Real Estate	8.19	15.29	17.17	6.83	4.92	12.43
NCREIF Property - One Qtr lag	Real Estate	2.54	10.54	12.63	2.13	5.97	8.44

Asset Allocation Analysis – Total Plan

As of March 31, 2013

CURRENT ALLOCATION BY ASSET CLASS



	Actual \$	Actual %
Total US Equity	14,312,337,033	37.5%
Canada Index Fund	1,668,583,469	4.4%
International Developed Mkts	5,143,476,744	13.5%
International Emerging Mkts	1,207,179,945	3.2%
US Fixed Income	10,488,601,905	27.5%
International Fixed Income	161,286,451	0.4%
Inflation Hedged Bond	2,578,825,014	6.7%
Real Estate	1,714,313,466	4.5%
Private Equity	252,276,071	0.7%
Short Term	679,594,263	1.8%
Strategic Lending	0	0.0%
TOTAL	38,206,474,361	100.0%

	TARGET	ACTUAL	DIFF
Total US Equity	33.0%	37.5%	4.5%
Canada Index Fund	4.0%	4.4%	0.4%
International Developed Mkts	13.0%	13.5%	0.5%
International Emerging Mkts	5.0%	3.2%	-1.8%
US Fixed Income	25.0%	27.5%	2.5%
International Fixed Income	0.0%	0.4%	0.4%
Inflation Hedged Bond	4.0%	6.7%	2.7%
Real Estate	7.0%	4.5%	-2.5%
Private Equity	3.0%	0.7%	-2.3%
Short Term	1.0%	1.8%	0.8%
Strategic Lending	5.0%	0.0%	-5.0%

	12/31/2012	3/31/2013	DIFF
Total US Equity	37.2%	37.5%	0.3%
Canada Index Fund	4.5%	4.4%	-0.1%
International Developed Mkts	13.8%	13.5%	-0.3%
International Emerging Mkts	1.6%	3.2%	1.6%
US Fixed Income	28.8%	27.5%	-1.3%
International Fixed Income	0.8%	0.4%	-0.3%
Inflation Hedged Bond	7.2%	6.7%	-0.4%
Real Estate	4.7%	4.5%	-0.2%
Private Equity	0.6%	0.7%	0.0%
Short Term	0.9%	1.8%	0.9%

Performance Summary

Periods Ending March 31, 2013

	1 QTR		1 YEAR		3 YEAR		5 YEAR		10 YEAR	
	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA
TCRS Composite	5.04	0.73	10.60	0.19	10.53	0.49	5.39	-0.31	6.96	-0.71
<i>Policy Index¹</i>	4.31		10.42		10.04		5.70		7.67	
<i>Total Fund Allocation Index²</i>	4.24		9.88		9.69					
<i>IFx Public DB >\$1B Gross Median</i>	4.93		10.24		9.53		4.66		8.31	
NORTH AMERICAN EQUITY MANAGERS										
Large Cap										
Index	10.60	0.00	13.96	-0.01	12.65	-0.03	5.91	0.09		
Quant	10.49	-0.12	12.56	-1.40	12.91	0.24	6.17	0.36	8.89	0.36
Sector	10.55	-0.06	12.73	-1.23	12.83	0.16	5.89	0.08	8.52	-0.02
<i>S&P 500 Index</i>	10.61		13.96		12.67		5.81		8.53	
Mid Cap										
Mid Cap ³	13.86	0.40	18.65	0.82	15.84	0.72	8.84	-0.68	11.98	-0.09
<i>S&P MidCap 400 Index³</i>	13.45		17.83		15.12		9.52		12.07	
Small Cap										
Small Cap Index ⁴	11.80	-0.01								
<i>S&P SmCap 600 Index</i>	11.81									
Canada										
Canada	1.03	-0.13	4.93	-0.09						
<i>S&P/TSX 60 Index</i>	1.16		5.02							
NORTH AMERICAN EQUITY COMPOSITE										
<i>N.A. Equity Custom Index⁵</i>	9.78	-0.02	12.65	-0.70						
	9.80		13.36							
US EQUITY COMPOSITE										
<i>US Equity Custom Index⁶</i>	10.87	-0.01	13.61	-0.75	13.46	0.48	6.11	-0.14	8.78	-0.07
	10.88		14.36		12.97		6.26		8.85	
<i>IFx All DB US Eq Gross Median</i>	11.06		14.11		12.94		6.55		9.42	
INTERNATIONAL EQUITY MANAGERS										
Developed										
Baring Asset Management	6.77	1.64	11.58	0.32	7.70	2.70				
<i>MSCI EAFE NET Index</i>	5.13		11.26		5.00					
Marathon	7.77	2.64	13.84	2.58	8.48	3.48	3.06	3.95	13.33	3.57
<i>MSCI EAFE NET Index⁷</i>	5.13		11.26		5.00		-0.89		9.77	
PanAgora Asset Management	5.95	0.81	13.60	2.35	8.11	3.11	0.91	1.80		
<i>MSCI EAFE NET Index</i>	5.13		11.25		5.00		-0.89			
TT International	8.01	2.88	13.64	2.39	4.78	-0.22				
<i>MSCI EAFE NET Index</i>	5.13		11.25		5.00					
Walter Scott	6.59	1.45	14.36	3.11	10.41	5.41	5.37	7.54	13.44	3.52
<i>MSCI EAFE NET Index⁸</i>	5.13		11.25		5.00		-2.16		9.92	
Developed Small Cap										
American Century Investment	10.48	2.06	20.80	7.52	11.37	2.96				
<i>MSCI EAFE Small Cap NET Index⁹</i>	8.42		13.28		8.41					
Pyramis Global Advisors	8.48	0.06	14.56	1.29	10.04	1.63				
<i>MSCI EAFE Small Cap NET Index⁹</i>	8.42		13.28		8.41					

Performance Summary

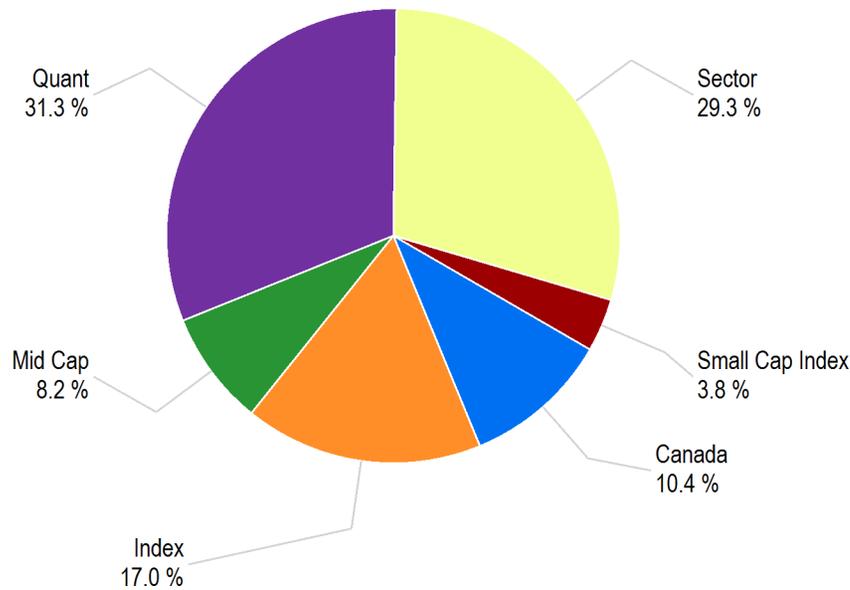
Periods Ending March 31, 2013

	1 QTR		1 YEAR		3 YEAR		5 YEAR		10 YEAR	
	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA	RETURN	ALPHA
GE Asset Management	3.01	0.30	13.51	2.96	6.24	1.44				
MSCI Europe NET Index ¹⁰	2.71		10.56		4.80					
Pacific Indexed Portfolio ¹¹	8.98	-0.76	12.58	-0.27	5.26	-0.51	0.04	-1.94	9.53	0.05
MSCI Pacific NET Index ¹²	9.74		12.85		5.77		1.98		9.48	
Emerging Market										
Emerging Market ETF ¹³	-2.73	-1.83								
MSCI Emerging Markets Net Custom Index	-0.90									
TOTAL INT'L EQUITY COMPOSITE	5.58	1.86	13.21	3.61	7.88	3.09	1.88	2.64	11.77	1.91
Int'l Equity Custom Index ¹⁴	3.72		9.60		4.79		-0.76		9.87	
IFx ALL DB ex-US Eq Gross Median	3.47		9.63		5.31		0.02		10.76	
US FIXED INCOME										
Corporate	0.00	1.53	12.51	3.00	11.95	1.89	10.51	1.68	7.19	0.41
Citigroup LPF Credit Index ¹⁵	-1.53		9.51		10.06		8.83		6.78	
Government 1-5	-0.40	0.84	11.97	5.10	12.77	4.13	8.32	1.25		
Citigroup LPF Treasury/Gov't Sponsored ¹⁶	-1.23		6.87		8.63		7.06			
Government 5 Plus	-1.18	0.06	7.14	0.27	10.93	0.06	7.58	-0.10		
Citigroup LPF Treasury/Gov't Sponsored ¹⁷	-1.23		6.87		10.86		7.69			
Mortgage Backed Securities	0.12	0.16	2.66	0.73	4.69	0.42	4.61	-0.59	4.60	-0.43
Citigroup Mortgage Backed Securities Index	-0.04		1.93		4.26		5.20		5.03	
US FIXED INCOME COMPOSITE	-0.26	0.70	8.11	1.91	9.48	1.35	7.94	0.88	6.04	0.24
Citigroup LPF Index ¹⁸	-0.96		6.20		8.13		7.06		5.80	
IFx All DB US Fix Inc Gross Median	0.27		6.48		7.13		6.84		5.82	
INFLATION HEDGED BOND	-0.62	0.02	5.68	-0.01	8.38	-0.42	5.83	-0.14		
Inflation Hedged Account	-0.62	0.02	5.68	-0.01	8.38	-0.42	5.83	-0.15		
Citigroup TIPS Index	-0.64		5.69		8.80		5.98			
INTERNATIONAL FIXED INCOME COMPOSITE	-5.97	-1.14	-5.59	-0.57	3.61	-0.12	2.92	0.05	5.36	0.22
International Fixed Income	-5.97	-1.14	-5.59	-0.57	3.61	-0.12	2.92	0.05	5.36	0.22
Citigroup G5 -ex US Index ¹⁹	-4.83		-5.02		3.73		2.87		5.14	
IFx All DB ex-US Fix Inc Gross Median	-1.77		7.08		3.58		3.75		6.17	
REAL ESTATE	4.95	2.41	10.19	-0.35	11.75	-0.88	0.87	-1.26	7.43	-1.01
NCREIF Property Index - One Qtr lag	2.54		10.54		12.63		2.13		8.44	
IFx All DB Real Estate Gross Median	2.49		10.63		14.22		-0.90		5.89	
PRIVATE EQUITY²⁰	2.70	2.29	11.93	-7.07	9.31	-4.57				
S&P 500 Index + 3% (One Qtr lag) ²¹	0.41		19.00		13.88					
SHORT TERM	0.20		1.28		1.60		1.93			
Cash Account	0.11		1.71		1.76		1.70		2.46	
Short Duration	0.29		1.93		1.88		2.99			

- Total Fund and asset class composites are ranked against InvestorForce universes. Managers are ranked against eVestment Alliance style universes. Ranking of 1 is a top ranking and ranking of 100 is a bottom ranking.
- 1 As of 1/1/13, the Policy Index is 33% S&P 1500/ 4% S&P TSX 60/ 13% MSCI EAFE IMI net/ 5% MSCI Emerging Mkts net/ 25% Citigroup LPF/ 4% Citigroup TIPS/ 7% NCREIF 1Q Lag/ 3% S&P 500 + 3% - 1Q Lag/ 1% 91 Day T-Bill/ 5% Strategic Lending.
 - 2 As of 1/1/13, the Total Fund Allocation Index is 34.4% S&P 1500/ 4.2% S&P TSX 60/ 13.6% MSCI EAFE IMI net/ 5.2% MSCI Emerging Mkts net/ 28.3% Citi LPF/ 8% Citigroup TIPS/ 4.7% NCREIF 1Q Lag/ 0.6% S&P 500 + 3% 1Q Lag/ 1% 91 Day T-Bill.
 - 3 As of 7/1/08, strategy was changed from SMID Cap. Benchmark is linked to S&P 1000 Index.
 - 4 Funded 7/2012
 - 5 As of 1/1/13, benchmark is 89.19% S&P 1500/ 10.81% S&P TSX 60; prior was 87.5% S&P 1500/ 12.5% S&P TSX 60 Index.
 - 6 As of 7/1/04 S&P 1500 Index; prior was S&P 500 Index.
 - 7 As of 5/19/06; prior was MSCI Europe Index.
 - 8 As of 2/2/09; prior was MSCI Europe Index.
 - 9 As of 07/01/11, MSCI EAFE NET Index; prior was MSCI EAFE Index.
 - 10 As of 07/01/11, MSCI Europe NET Index; prior was MSCI Europe Index.
 - 11 Performance was attributable to Amundi through 9/3/10; portfolio managed by TCRS staff afterward.
 - 12 As of 7/1/04; prior was MSCI AC Asia Pacific Free Index.
 - 13 Funded November 2012.
 - 14 As of 1/1/13, 72.22% MSCI EAFE IMI net/ 27.78% MSCI Emerging Mkts net; Prior was MSCI EAFE IMI net (10/08-12/12); prior was MSCI EAFE NET Index.
 - 15 As of 7/1/2011, benchmark is Citigroup LPF Credit. As of 4/1/2011, benchmark is 50% Citigroup Credit Index, 50% Citigroup LPF Credit Index. Citigroup Credit Index: 7/1/05-3/31/11. Lehman Credit ex BBB prior.
 - 16 As of 7/1/2011, benchmark is Citigroup LPF Treasury/Government Sponsored. As of 04/1/2011, benchmark, is 50% Citigroup 1-5 Govt/50% Citigroup 1-7 Govt. As of 8/1/09, name switched from Fixed Income Overlay to Gov't 1-5 in order to reflect strategy change. As of 8/1/09, benchmark is Citi Treas/Gov't Sponsored 1-5; prior was Citi BIG Index.
 - 17 As of 7/1/2011, benchmark is Citigroup LPF Treasury/Government Sponsored. As of 4/1/2011, benchmark is 50% Citigroup Core 5+ Gov't/50% Citigroup 7+ Gov't. As of 8/1/09, name switched from Agency Debt to Gov't 5 Plus in order to reflect strategy change. As of 8/1/09, benchmark is Citi Core+5 Treas/Gov't Sponsored; prior was Citi Treas/Gov't Sponsored.
 - 18 As of 7/1/2011, benchmark is Citigroup LPF Index. As of 04/1/2011, benchmark is 50% Citigroup BIG/50% Citigroup LPF. As of 7/1/05 benchmark switched from Lehman Aggregate -ex BBB Index to Citigroup BIG.
 - 19 As of 7/1/04; prior was Citigroup World Government Bond -ex US Unhedged Index.
 - 20 Per TCRS' request: As of Q1 2012, Private Equity returns are quarter-lagged IRR returns from Cambridge Associates and are the prior quarter's performance returns.
 - 21 As of February 2011, index changed from S&P 500 Index + 300bps to S&P 500 Index + 300 bps (One Qtr lagged), since inception.

Manager Allocation Analysis - North American Equity

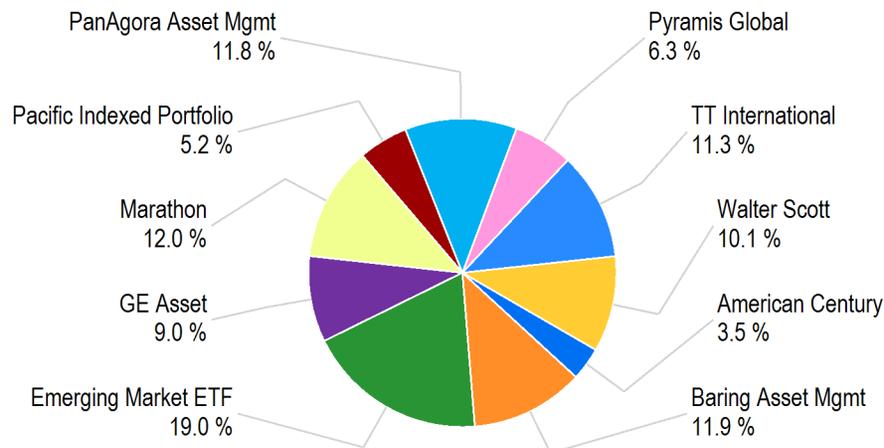
As of March 31, 2013



	Actual \$	Actual %
Canada	\$1,668,583,469	10.4%
Equity Futures Collateral	\$7	0.0%
Index	\$2,714,704,604	17.0%
Mid Cap	\$1,303,090,355	8.2%
Quant	\$5,003,565,859	31.3%
Sector	\$4,688,450,213	29.3%
Small Cap Index	\$602,525,995	3.8%
Total	\$15,980,920,502	

Manager Allocation Analysis - International Equity

As of March 31, 2013

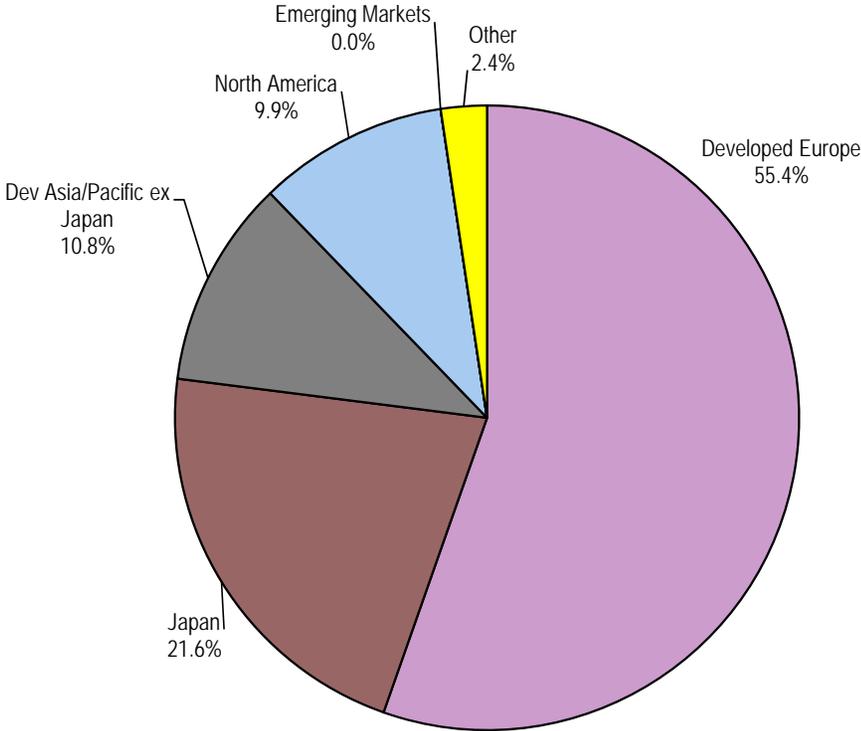


	Actual \$	Actual %
American Century	\$220,519,718	3.5%
Baring Asset Mgmt	\$756,157,072	11.9%
Capital Int'l	\$1,651	0.0%
Emerging Market ETF	\$1,207,179,945	19.0%
GE Asset	\$572,592,554	9.0%
JPM	\$57,047	0.0%
Marathon	\$762,565,822	12.0%
Pacific Indexed Portfolio	\$330,885,541	5.2%
PanAgora Asset Mgmt	\$746,879,356	11.8%
Putnam Europe	\$36,227	0.0%
Pyramis Global	\$397,563,260	6.3%
TT International	\$717,793,778	11.3%
Walter Scott	\$638,424,718	10.1%
Total	\$6,350,656,689	

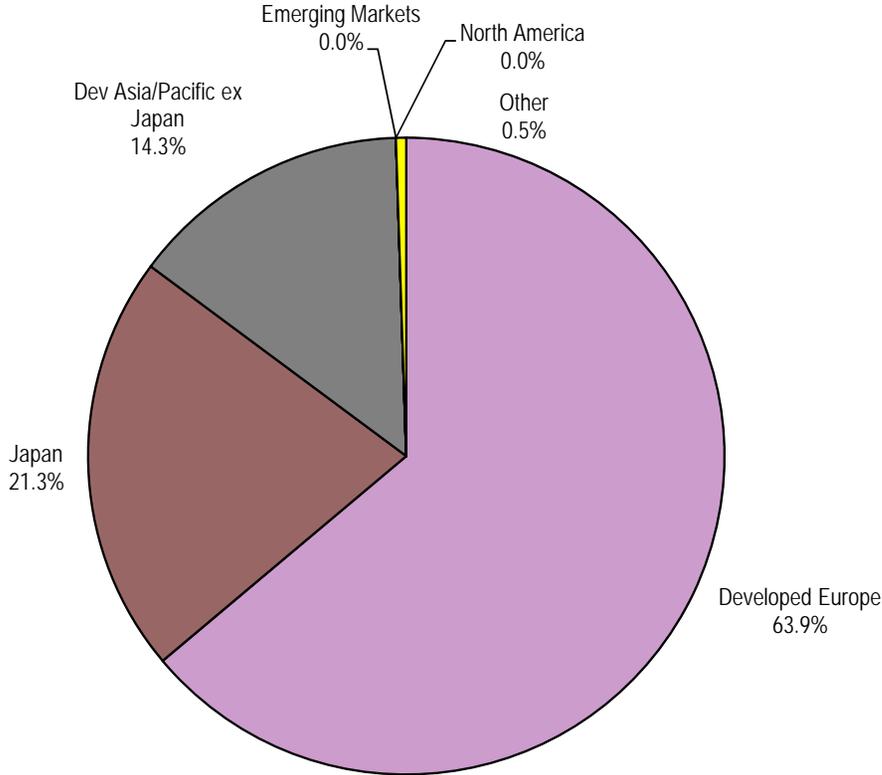
Developed International Equity Portfolio Regional Weights

As of March 31, 2013

Developed International Equity



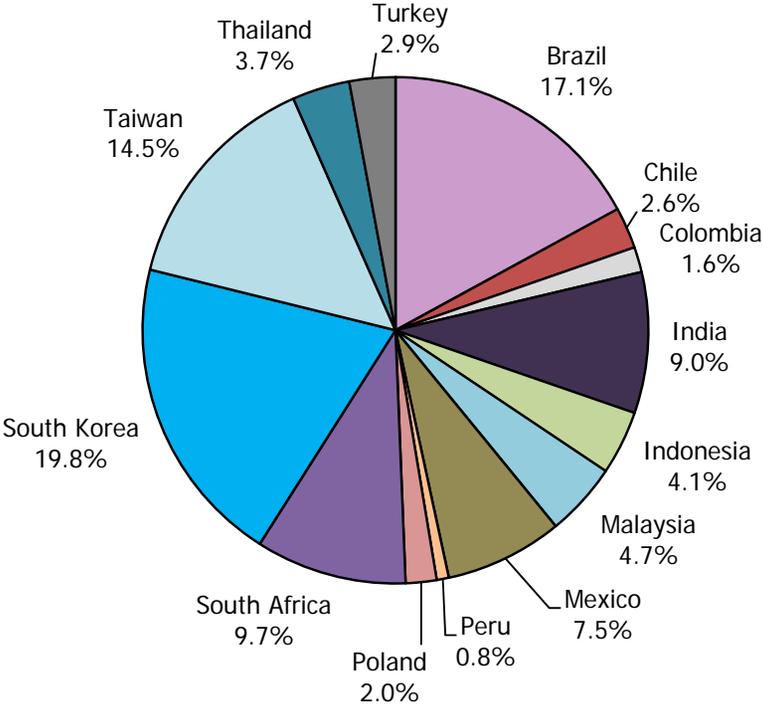
MSCI EAFE Index



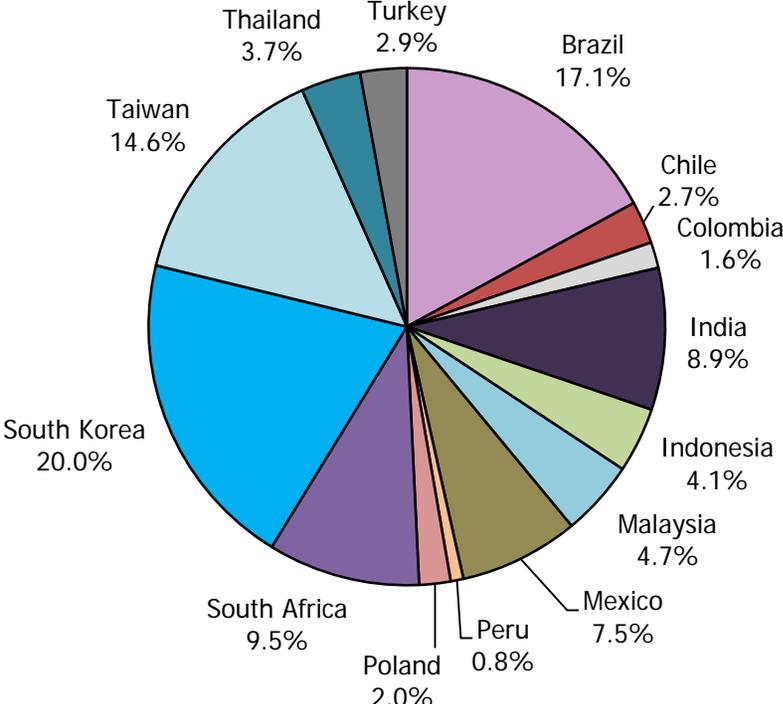
Emerging Market ETF Portfolio Regional Weights

As of March 31, 2013

Emerging Market ETF

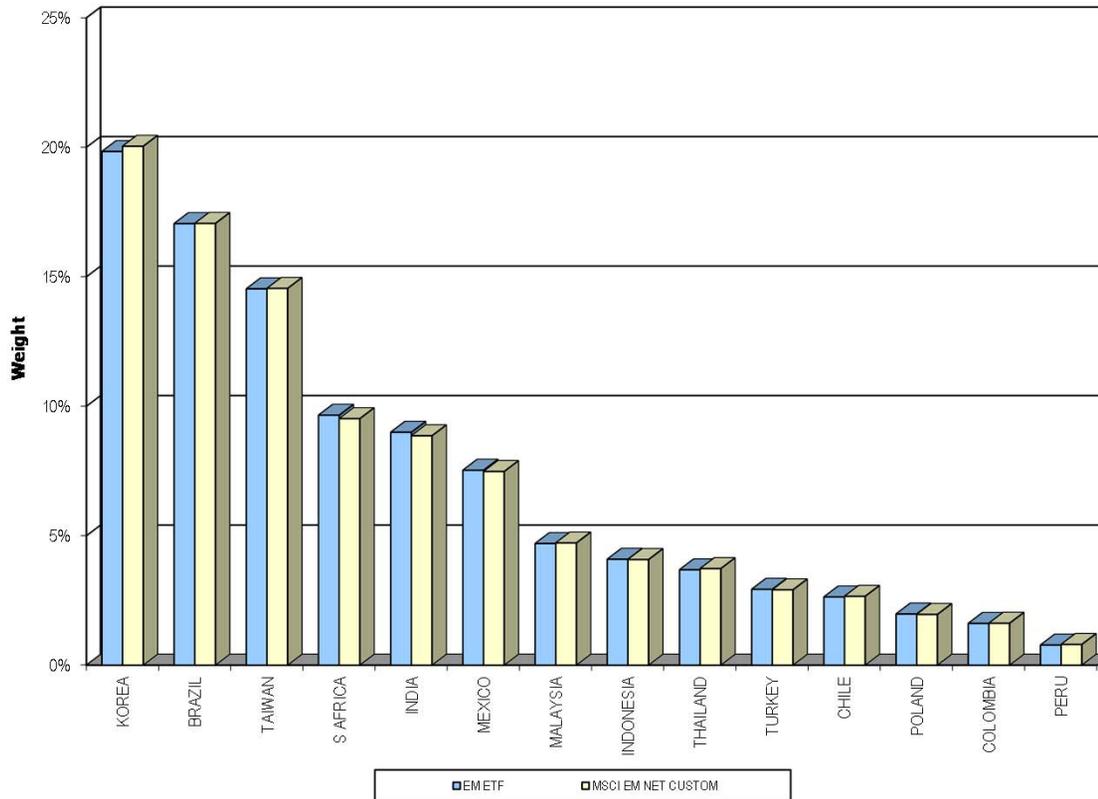


MSCI Emerging Market Net Custom Index



Portfolio Country Weights – Emerging Market ETF

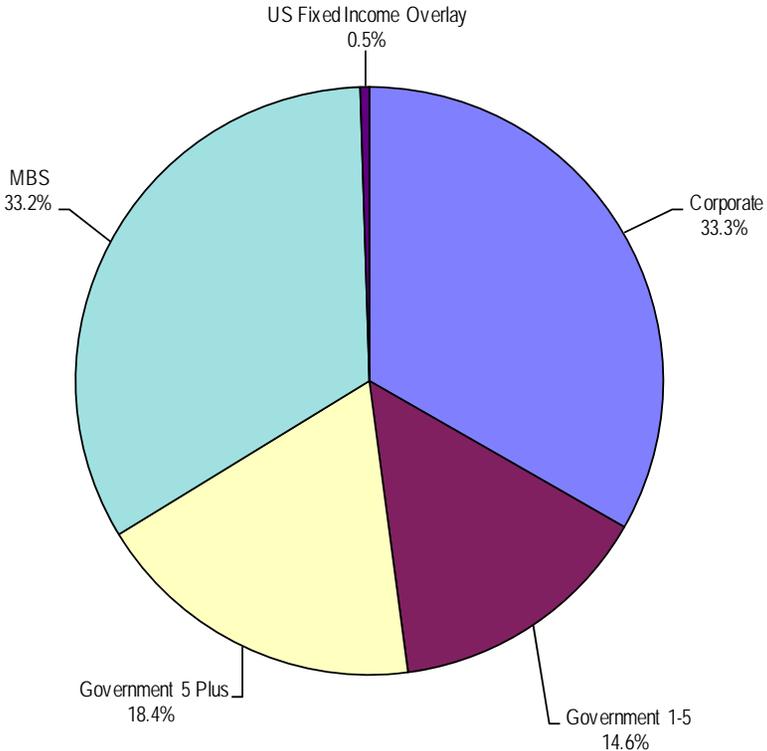
As of March 31, 2013



COUNTRY	MARKET VALUE	EM ETF	MSCI EM NET CUSTOM	DIFF
KOREA	\$ 239,454	19.8%	20.0%	-0.2%
BRAZIL	\$ 205,852	17.1%	17.1%	-0.0%
TAIWAN	\$ 175,441	14.5%	14.6%	-0.0%
S AFRICA	\$ 116,537	9.7%	9.5%	+0.1%
INDIA	\$ 108,578	9.0%	8.9%	+0.1%
MEXICO	\$ 90,890	7.5%	7.5%	+0.0%
MALAYSIA	\$ 56,700	4.7%	4.7%	-0.0%
INDONESIA	\$ 49,394	4.1%	4.1%	+0.0%
THAILAND	\$ 44,465	3.7%	3.7%	-0.0%
TURKEY	\$ 35,383	2.9%	2.9%	+0.0%
CHILE	\$ 31,793	2.6%	2.7%	-0.0%
POLAND	\$ 23,857	2.0%	2.0%	+0.0%
COLOMBIA	\$ 19,468	1.6%	1.6%	-0.0%
PERU	\$ 9,368	0.8%	0.8%	-0.0%
	\$ 1,207,180	100.0%	100.0%	0.0%

Manager Allocation Analysis – US Fixed Income

As of March 31, 2013

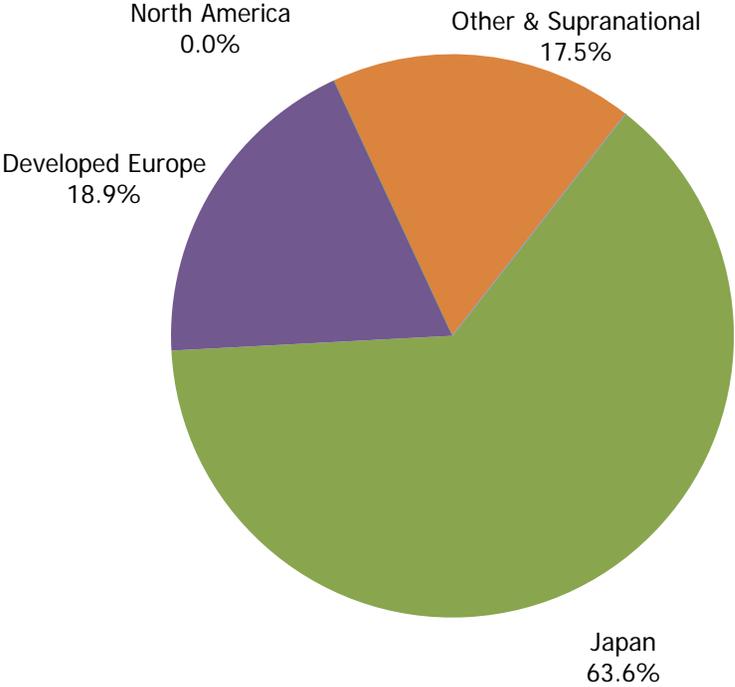


	Actual \$	Actual %
Corporate	3,489,928,674	33.3%
Government 1-5	1,533,867,336	14.6%
Government 5 Plus	1,925,712,206	18.4%
MBS	3,486,881,075	33.2%
US Fixed Income Overlay	52,212,614	0.5%
TOTAL	10,488,601,905	100.0%

International Fixed Income Portfolio Regional Weights

As of March 31, 2013

INTERNATIONAL FIXED INCOME



CITIGROUP G-5 EX US INDEX

